

DRAFT

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## GOVERNOR BARBOUR ANNOUNCES FY 2010 EXECUTIVE BUDGET RECOMMENDATION

Conservative, prudent, realistic budget protects MAEP,  
Medicaid

(JACKSON, Mississippi) – Governor Haley Barbour today detailed a conservative, prudent, realistic Executive Budget Recommendation for Fiscal Year 2010 that fully funds the Mississippi Adequate Education Program, protects Medicaid, reduces some spending, and raises new revenues through higher taxes on tobacco products.

In addition, the recommendation includes an infusion of \$84 million from the state's Rainy Day Fund, known as the Working Cash Stabilization Fund, to bolster revenues that are sagging due to downturns in the national and international economies. He urged legislators to avoid depleting the state's savings account this year and keep a cushion against larger cuts in the following years.

“This budget is balanced not only between revenue and expenditures; it is also balanced in using Rainy Day Funds and tobacco taxes along with initial spending cuts to achieve a truly balanced budget. I recognize and ask others to recognize that any further reductions to predicted revenue will primarily be made up by reductions in spending. Hopefully, we won’t have to cross that bridge in March or April when the Legislature enacts the actual FY10 budget and appropriations,” Governor Barbour said.

“While I am praying for the best, we should prepare for the worst,” Governor Barbour said.

The primary spending reductions in the FY10 budget recommendation generally coincide with the FY09 cuts imposed last week. For the most part departments and agencies that are reducing expenditures in the current fiscal year by two percent would be reduced an additional two percent in FY10.

Governor Barbour said, pursuant to a recommendation of the Tax Study Commission he created earlier this year, this Executive Budget and Combined Funds Recommendation calls for increases in tobacco taxes. The twenty-four cents (.24) per pack increase in the current cigarette tax would put Mississippi's cigarette tax at forty-two cents (.42) per pack, essentially the same as the average of the tax now levied by Alabama, Arkansas, Louisiana, Mississippi and Tennessee.

This budget also requires non-participating cigarette manufacturers (NPMs) to pay an additional tax of forty-three cents (.43) per pack on top of the new higher level.. The purpose is to require them to pay in the same amount as those cigarette companies that pay Mississippi more than \$100 million annually under the tobacco settlement reached in the 1990's.

Further, there is an increase in revenue from smokeless tobacco by converting it to a volume-based tax like cigarettes.

These tobacco tax increases would generate some \$80 million in additional revenue in FY10, and, if passed early in the Regular Session, about \$13 million this fiscal year.

“Tobacco tax increases are driven by health care policy, not budget policy, and I would welcome offsetting tax cuts.

Indeed, this term I will propose tax cuts in greater amounts than these increases, as I’m committed to a net tax cut as proper budget policy,” Governor Barbour said.

The Governor’s budget plan also covers the following:

- A \$60.8 million increase in funding for the Mississippi Adequate Education Program, which represents full funding for FY10.

- The Legislature should enact a provider fee system to fund a \$90 million shortfall in the Medicaid program, or face deep cuts;
- As recommended by the Governor's Tax Study Commission, spend \$15 million to upgrade technology at the Mississippi State Tax Commission, which will help the agency recover unpaid taxes.
- Providing \$1.5 million to establish a Mississippi Health Insurance Exchange, which allows small businesses that do not offer employee-sponsored health insurance to provide coverage for workers.

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